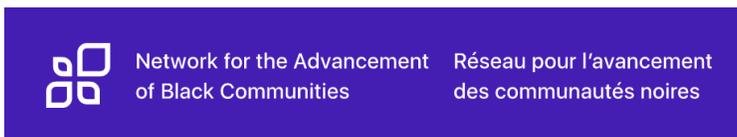


**CONSULTATIONS BY FINANCE CANADA
BOOSTING CHARITABLE SPENDING IN OUR COMMUNITIES**

Submission by
the Equitable Recovery Collective

September 30 2021



Summary

Recommendation 1 - Increase the disbursement quota

We recommend that the government increase the DQ as part of a package of policy measures to boost charitable spending in communities, according to a data-driven formula that increases equity and philanthropic impact over the short term and long term, and that precludes wealth accumulation in endowments.

Recommendation 2 - Reform existing rules on qualified donees and direction and control

We recommend that the government work with the nonprofit and charitable sector to reform the existing rules on qualified donees and direction and control so that public and charitable funds continue to be protected, but in a way that allows organizations to respond more equitably and effectively to future challenges and crises.

Recommendation 3 - Mandate and invest in better data on our sector

We recommend that the government mandate and provide more resources to Statistics Canada and the CRA to collect ongoing disaggregated data on the nonprofit and charitable sector, the state of equity in the sector, the work it does, the populations it works with, and its leadership, to be able to monitor, understand and address sector and community health.

Recommendation 4 - Create a ‘home’ for the nonprofit and charitable sector in government

We recommend the creation of a “home” for the nonprofit and charitable sector within the machinery of government that can coordinate policy and engage strategically with our sector and facilitate the non-profit and charitable sector to work across government. We further recommend that the government take an equity approach to this recommendation, engaging directly with organizations from equity-seeking communities to understand and address the specific challenges they are facing.

Introduction

The nonprofit and charitable sector is a key part of Canada's social fabric, playing a central role in fostering quality of life in our communities. Contributing 8.4% to GDP¹, it is also a pillar of our economy. Never has this been clearer than throughout the pandemic, when our organizations stepped up to deliver and support critical programs and services when they were needed most. Our organizations connect with, are led by, and serve members of equity-seeking communities, who were and continue to be among those hardest hit by the pandemic.

The first sentence of the document released by Finance Canada for its consultation on “boosting charitable spending in our communities” states that: “supporting Canada’s charities, nonprofits, social enterprises, and other organizations to provide vital services to our communities, including to the most vulnerable members of society, is a key priority of the federal government.” We share the government’s goals of increasing spending and supporting diverse groups serving our communities. We believe that while increasing the DQ is a necessary step, it

¹ Government of Canada. Non-profit institutions and volunteering: Economic contribution, first quarter 2021. Retrieved September 21, 2021 from <https://www150.statcan.gc.ca/n1/daily-quotidien/210628/dq210628c-eng.htm>.

is far from sufficient if the federal government is to achieve its stated goal with equity considerations at the forefront.

Without considering the broader policy context, a narrow focus on a single policy instrument could be of limited use and may well result in exacerbating some of the inequities and inefficiencies the government seeks to address. The federal government must look beyond the limitations of the DQ alone being studied at Finance Canada to involve other departments, including the Canada Revenue Agency and Statistics Canada, in meeting the objective of increasing funding flows to communities in all of their diversity. By taking a larger view and evolving some key related policies, we will develop a stronger path toward our mutual goals and better ensure that communities that have been historically underfunded receive greater access to charitable spending in our communities.

Recommendation 1 – Increase the disbursement quota

The pandemic been a pivotal time for the nonprofit and charitable sector as a whole, and inequities pervasive in our sector and the regulatory framework that governs it have been laid bare. As we delivered and funded critical services in every community across Canada responding to staggering need, many organizations faced and continue to face unprecedented increases in demand for programming, while experiencing reductions in funding.

Many foundations regularly grant over and above the DQ, and many have increased their granting even further during the pandemic. But it is clear that the sector needs more attention and support fundamentally, including from Canada's charitable foundations.

We also recognize that annual granting is but one aspect of the fundamental responsibility of philanthropy as a key element of civil society. In order to boost charitable spending in communities in an equitable way, and have more funds available to support organizations working towards equity and those led by/supporting equity seeking communities, especially as we move towards recovery from the pandemic, the issues that warrant attention from government go beyond the percentage of assets to be annually disbursed.

We recommend that the government increase the DQ as part of a package of policy measures to modernize our sector and boost charitable spending in communities, according to a data-driven formula that increases equity and philanthropic impact over the short term and long term, and that precludes wealth accumulation in endowments.

Recommendation 2 - Reform existing rules on qualified donees and direction and control

Many organizations serving diverse communities across Canada are not qualified donees. Alongside charities, nonqualified donees (NQDs) such as grassroot organizations and other community-led initiatives do crucial work helping to bolster social cohesion and inclusion, and provide critical services that contribute to healthier, safer, more sustainable societies. Supporting non-qualified donees is imperative to advancing equity and racial justice as on-the-ground initiatives are often the most nimble and best equipped to identify and advance solutions

for their own communities, and key resources available in historically excluded communities are often provided by local grassroots leadership. Such initiatives are overwhelmingly led by those who are racialized and other groups that are underserved, underrepresented and underfunded in philanthropy.

Outdated rules prevent charities from providing funds to non-charities unless they enter into an agreement whereby they exercise “direction and control” over the activities of their NQD partner. This requirement hinders equitable partnerships by creating unequal and colonial power dynamics. It also makes charitable work cumbersome, inefficient and ineffective. Ultimately, the current rules undermine genuine and long-standing commitments to reconciliation with Indigenous peoples, as well as efforts to address systemic racism, as NQD partners are forced to act as mere agents of large charitable organizations.

The rules create an unnecessary barrier between funders and those serving legitimate community needs, thereby restricting the impact of a range of community-based organizations working for the public interest and perpetuating a cycle of marginalization for many groups working to advance equity in their communities.

The Current Income Tax Act policy regime impedes many NQDs from accessing charitable funds to the same degree as more privileged demographics. It currently takes substantial time, resources, and money to get charitable status or to work with charitable partners – investments and tradeoffs that some community groups do not want or are not able to make. Some of these groups may be poised for growth whereas some are dedicated to their work in their community and don’t need more than modest financial support to make a difference.

In promoting a shift in focus from ongoing operational control of activities to ensuring that charitable resources are devoted to achieving charitable outcomes, support for nonprofits, social enterprises and civil society groups would expand – thereby allowing for greater collaboration and impact in supporting Canadians and in serving communities. We therefore urge the government to level the playing field between all nonprofit groups that provide a demonstrable public benefit regardless of whether they formally hold charitable status or not, to enable charities to more easily partner with and fund NQDs. Developing avenues for NQDs to engage and participate without prejudice will help build trust and collaboration that will contribute to the good of society.

Without reforming NQD requirements, a DQ increase will likely exacerbate pre-existing inequities across race, gender, sexual orientation, faith and economic status. For all these reasons, we encourage the government to support the relevant legislative amendments adopted by the Senate in The Effective and Accountable Charities Act.

We recommend that the government work with the sector to reform the existing rules on qualified donees and direction and control so that public and charitable funds continue to be protected, but in a way that allows organizations to respond more effectively to current and future challenges and crises.

Recommendation 3 - Mandate and invest in better data on our sector

Evidence is key to informed decision making and greater public transparency. A fully functioning policy framework between governments and our sector must be data-driven to fully assess the magnitude, nature and diversity of initiatives supported. Yet today we do not have a reliable picture of our sector's activities, trends, or impacts. There are numerous gaps in the data currently collected by the government about the nonprofit and charitable sector such as macroeconomic, human resources, and organization-level information. Neither the sector nor the government has that data today. In this case, the data deficit means that understanding and effectively administering a system around the DQ will fall short.

More and better public data is required to improve analysis, accountability, transparency and impact and both Statistics Canada and the CRA need additional and permanent mandates and resources to collect, analyze and share sector data. Overhauling the T3010 form used by charities to streamline the reporting of their activities to the CRA, mandating online filing, reporting on investments and diversity at the leadership and board levels are necessary to support greater transparency, better data and more impactful work carried out by our sector overall. It would also advance the government's recent commitments to improve its quality of life measures and the availability of disaggregated data.

We recommend that the government mandate and provide more resources to Statistics Canada and the CRA to collect ongoing disaggregated data on the nonprofit and charitable sector, the state of equity in the sector, the work it does, the populations it works with, and its leadership, to be able to monitor, understand and address sector and community health.

Recommendation 4 - Create a 'home' for the nonprofit and charitable sector in government

Our sector has demonstrated its constructive, substantial and ongoing role in achieving societal benefits, and policy changes affecting our sector warrant a "whole of government" approach.

Government and the nonprofit and charitable sector are natural partners, working in tandem on many common issues. Even as government after government counts on the sector to frequently deliver on many critical promises and programs, there is no entity in government responsible for ensuring the well-being of charities and nonprofits as a sector. There is no body that the sector can count on to raise issues with or advocate for change, coordinate nonprofit and charitable sector policy, propose policy measures to assist sector organizations in carrying out their missions, ensure that legislation changes consider the impact that it will have on charities and nonprofits, or that they are included in government programs that could benefit them. In short, a home in the federal government is needed so that our sector has dedicated policy, programs, and investments similar to approaches for other economic sectors— like transportation, agriculture, and small business—which all have dedicated federal ministers and portfolios.

To unleash the potential of the sector, advance equity and deliver on key priorities, we need a stronger working relationship with the government. We strongly support recommendations that we and others in our sector have been calling for aimed at creating a "home" for the broader

nonprofit and charitable sector within the federal government – building on the long-standing approach in Québec and similar to the BC government’s move earlier in 2021. Simple structural changes to this end by the federal government would lead to a stronger sector and better economic and social outcomes for communities across Canada.

Nonprofit and charitable sector organizations are partners, innovators and community builders, responding to a vast range of issues like climate change, economic opportunity for youth and newcomers, democratic inclusion, and Indigenous reconciliation. Our sector offers unparalleled, strategic insights which reflect our work on the ground in every region of this country. Working hand in hand with government, we can bring innovation, avoid duplication and make valuable dollars go further, all while helping to create a stronger and more resilient country for all.

It’s important to note that organizations from equity-seeking communities face particular challenges and barriers, including anti-Black racism, anti-Indigenous racism, anti-Semitism, Islamophobia, LGBTQI2S+ discrimination, and ableism, and serve communities with unique needs. A one-size-fits-all approach will not be appropriate to deal with a sector as diverse as ours. This context further emphasizes the need for an entity that can engage with the nonprofit and charitable sector in a nuanced and meaningful way.

We recommend the creation of a “home” for the nonprofit and charitable sector within the machinery of government that can coordinate policy and engage strategically with our sector. We further recommend that the government take an equity approach to this recommendation, engaging directly with organizations from equity-seeking communities to understand and address the specific challenges they are facing.

About the Equitable Recovery Collective

The Equitable Recovery Collective formed in response to the COVID-19 pandemic’s impact on the nonprofit and charitable sector and the communities it serves. The Collective aims to advance good public policy and advocacy for an equitable recovery, better funding practices that are more equitable and that advance equity, and greater equity within the sector.

Signatories of this submission

1. Canadian Women’s Foundation
2. Community Foundations of Canada
3. Deen Support Services
4. Disabilities Without Poverty
5. Egale Canada
6. Imagine Canada
7. Network for the Advancement of Black Communities
8. Philanthropic Foundations Canada
9. Pillar Nonprofit
10. Policywise for Children and Families
11. Prosper Canada

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